

Analysis of
Business
Trends Plus
Selected
Financial
Indicators

Mobile Homes Appeal . . .

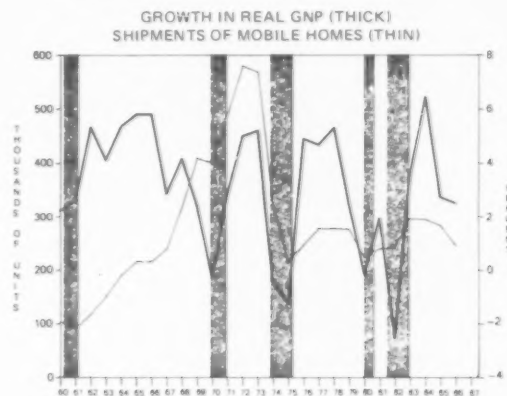
Like many other industries in the United States, the mobile home industry has recently undergone a wave of mergers, consolidations and reorganizations, leaving a slimmer but financially more viable industry with fewer players. In the early 1970s, some 400 firms produced mobile homes; by 1985, this number was down to 164 firms.

In 1974, the Federal government established a national building code for mobile homes which allowed producers to avoid the hodge-podge of local codes which hindered efficiency and improvements in standard house construction. In addition, the law set high manufacturing and performance standards adding to the acceptability of the product but at the same time raising the financial needs of mobile home manufacturers.

As a result, success in this increasingly capital-intensive industry is now largely dependent on having sufficient financial strength to compete nationally, or in a large regional market with a broad product line. A firm must also be able to sustain operations during economic downturns because of the mobile home industry's high sensitivity to the business cycle (see chart). Such a close relationship is understandable, since important segments of the mobile home market are blue-collar workers and young first-time homebuyers whose jobs are especially affected by changes in the business cycle.

Noncyclical events also affect the mobile home market. The sharp rise in mobile home shipments between the early 1960s and the early 1970s can be traced not only to the 106-month U.S. economic expansion—the longest on record—but also to both regional housing shortages and the maturing of the post-World War II baby-boom generation which produced large numbers of first-time homebuyers, a primary mobile home market. However, the economic upswing that began in 1975, could not alleviate the aftereffects of the Manufactured Housing Act of 1974 which held down expansion of the mobile home market. The new restrictions on the industry resulted in a much lower level of mobile home shipments as production lines

were revamped to improve quality and marginal firms were forced out.



Another factor thought to influence mobile home demand is changes in interest rates for conventional homes. It has been argued that a rise in conventional mortgage rates causes marginal buyers of conventional homes to "shift-down" to mobile homes. However, historical data do not support this reasoning, and other factors may explain why. For instance, there is a dichotomy between the two markets with a marked aversion on the part of many homebuyers against mobile homes. Although this stigma arose before the 1970s when many of the products were shoddily built and carried a "gypsy" image, the industry continues to struggle against this prejudice despite improvements since 1974.

. . . To The Young And The Retired . . .

The major appeal of mobile homes is their relatively low price which, on a square footage basis, can run as much as 30 percent below equivalent conventional construction. In 1985, for example, the average sales price of a conventionally built U.S. single-family home was close to \$100,000 while the average sales price for a manufactured home was only \$22,000, and 79 percent of new mobile homes sold for under \$50,000. This lower price explains why mobile homes tend to appeal to those on a limited income—especially to people at both ends of their homebuying years, first-time homeowners and retirees. In 1983 the median income of mobile homeowners was \$14,300—59 percent of the median income of all homeowners.

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The difference in mobile home financing compared with conventional home mortgages also tends to favor mobile homes. Generally, buyers pay at least two to three percentage points more than the mortgage rates for new conventional homes and the loan period for a mobile home is shorter, but the amount borrowed is usually considerably less. This frequently results in a lower monthly payment—an important factor for people on limited incomes.

Besides low cost, manufactured housing is popular for its quick availability. Mobile

homes are used as housing for itinerant workers involved in long-term projects such as oil field exploration and dam construction. Because this is a significant part of the mobile home market, problems in the oil and mining industries in the South and West—the principal regional markets for mobile homes—have significantly affected sales.

... An Expanding Market

The future for the mobile home industry will be influenced to a large extent by shifts in the American population. The two principal groups of prospective mobile

Short Term Paper Outstanding

(Millions of Dollars)

Time Deposits of \$100,000 or more Weekly Reporting Banks	Latest Week	Change Since	
		Week Ago	Year Ago
Nationwide (5/20/87)	162,690	+ 2,140	+ 6,930
New York City (5/27/87)	37,289	— 37	+ 3,001
Commercial Paper (5/27/87)	358,490	— 881	+ 48,356

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans			
Weekly Reporting Large Commercial Banks	Latest Week	Change Since	
		Week Ago	Year Ago
Nationwide (5/20/87)	280,571	+ 3,410	+21,726
New York City (5/27/87)	62,272	— 1,089	+ 5,576
Total Loans and Leases Gross Adjusted			
	Latest Week	Change Since	
		Week Ago	Year Ago
Nationwide (5/20/87)	799,864	+ 9,401	+61,516
New York City (5/27/87)	178,725	— 1,661	+19,347

Financial Markets

	Friday 6/5/87	Change Since	
		Week Ago	Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills †	5.83%	—0—	— .66
130-Day Bills †	6.26	— .17	— .40
Longest Bills †	6.87	+ .04	+ .05
Recent Issues:			
8S 5/31/89	7.62	— .05	
63/4S 3/31/91	8.01	— .03	
81/2S 5/15/97	8.49	+ .01	
83/4S 5/15/17	8.67	+ .01	
Municipals:			
Bond Buyer—20 Bond Index* (6/4/87)	7.97%	— .06	—0—
Blue List Total (\$ Million)	\$1,377	— \$ 71	—\$ 751
30-Day Visible Supply (\$ Million)	\$2,200	— \$853	—\$2,322
Total	\$3,577	— \$924	—\$3,073
Corporates:			
Moody's Aa Composite (6/4/87)	9.79%	+ .07	+ .23
30-Day Visible Supply (\$ Million)	\$5,183	+ \$427	+ \$ 838
Stocks:			
Dow-Jones Averages:			
Industrials	2,326.15	+ 34.58	+440.25
Transportation	986.66	+ 9.98	+191.28
Utilities	198.64	+ 1.78	+ 10.88
65 Stocks	873.51	+ 11.12	+151.67
N.Y.S.E. Composite Index	165.49	+ 2.01	+ 24.51
N.Y.S.E. Avg. Daily Vol. for Week (000's)	147,437	— 10,351	+32,503

*46% Taxable equivalent 14.76%.

† Bond equivalent.

International Rates

	Friday 6/5/87	Week Ago
EURODOLLAR		
DEPOSIT RATES (bid)		
Overnight	6.56%	6.50%
1 month	7.00	7.06
3 month	7.19	7.19
6 month	7.50	7.44
1 year	7.94	7.78
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 yrs.)	8.82%	8.78%
Long Term (10 yrs.)	9.43	9.35
FOREIGN EXCHANGE SPOT RATES		
New York Opening (6/5/87)	Currency Per U.S. \$	Week Ago
Canada	1.3445	1.3390
France	6.0580	6.0735
Germany	1.8115	1.8240
Italy	1311.25	1317.00
Japan	143.32	144.05
Mexico	1292.00	1279.00
Switzerland	1.5088	1.5140
U.K.*	1.6347	1.6245

*U.S. \$ per U.K. pound

	Change Since	
	Week Ago	2/27/85
MH TRADE- WEIGHTED DOLLAR (6/5/87)	+0.6%	—4.6%
(Adjusted for Inflation)		

homebuyers—the younger, newly married “entry-level” group and retired people aged 60 and over—will follow divergent paths in terms of their importance in the U.S. between now and the end of the century. The 25 to 44-year old group, which forms the bulk of first-home buyers, will increase from about 75.8 million persons in 1986 to an estimated 82.5 million in 1995 and then decline to about 80.2 million in 2000. This group will, however, be skewed toward the higher end of the age range, which suggests that they may move toward more expensive, spacious conventional housing as they

increase their income and have families. The 18 to 34-year age group will decline in number and as a percentage of the total population by 2000.

But on the other end of the age spectrum, the number of persons over 60 years old will rise from the present level by about five million to over 45 million by the year 2000. Consequently, there will likely be a substantial rise in demand for mobile homes from this market segment—people wanting relatively small, easily maintained and inexpensive housing with low monthly payments. ■

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 6/3/87	\$ Change Since	
		Week Ago	Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies			
Owned Outright & RPs	214.312	— 5.937	+24.198
Loans to Depository Inst.	760	— .667	— .092
Float	.940	+ .254	+ .482
Total Reserve Bank Credit	231.081	— 6.350	+24.597
Treasury Deposits with			
Federal Reserve Banks	5.067	— 7.617	+ 2.380
Currency in Circulation	213.772	+ .882	+15.732
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	182.495	+ 3.022	+35.427
Member Bank Reserves:	6/3/87		
Total Reserves Held	56.964	— .314	+ 9.111
Excess (Deficiency)	1.327	+ .264	+ .313
Net Free Reserves	.530	+ .021	— .179

Monetary Aggregates †

		% Change Since	
		3 Months Ago*	Year Ago
M1 (5/25/87)	758.1	+ 8.8‡	+ 14.5‡
M2 (April '87)	2,839.2	+ 2.4	+ 8.2
M3 (April '87)	3,540.6	+ 2.8	+ 7.5
Domestic Nonfinancial Debt (4th Q'86)	7,680.6	+ 13.8	+ 12.1

†Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Four-week moving average.

New York Money Market

Offering Rates 6/5/87	3 Months	6 Months	1 Year
‡ U.S. Treasury Bills	5.69%	6.03%	6.47%
* Federal Agencies	6.60	6.73	6.92
* Municipal Notes—High Grade (46% Taxable Equivalent)	8.15	7.41	7.04
Negotiable Time CDs			
Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	6.97	7.27	7.80
‡ Finance Company Paper—Prime		‡ Bankers' Acceptances	
5- 14 days	6.63%	Jul.	6.78%
15- 29 days	6.65	Aug.	6.80
30- 59 days	6.88	Sep.	6.85
60- 89 days	6.88	Oct.	6.98
90-179 days	6.80	Nov.	7.00
180-239 days	6.70	Dec.	7.02
240-270 days	6.70		
‡ Industrial Paper—Prime			
30- 89 days	6.90%	† Federal Funds	
90-120 days	6.95	Effective Rate	6.75%
‡ Discount basis.	* Subject to availability.	† Estimated.	

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period	Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'87	\$ 4,259	\$ 4,149
Gross National Product (1982 Dollars)*	1st Q'87	\$ 3,696	\$ 3,656
Percent Change, Annual Rate	1st Q'87	1.1	3.8
Change in Consumer Prices*	Apr '87	4.8% (1)	— 3.6%
Change in Producer Prices*	Apr '87	4.8%	— 6.0%
Civilian Employment (Thousands of Persons) †	May '87n	111,835	109,165
Unemployment as % of Civilian Labor Force †	May '87n	6.3%	7.2%
Personal Income*	Apr '87n	\$ 3,606r	\$ 3,487
Leading Indicators Composite Index (1967=100) †	Apr '87n	187.7r	178.1r
Industrial Production Index (1977=100) †	Apr '87	126.8	124.7
Net Change in Consumer Installment Credit †	Mar '87	\$ 1.01	\$ 2.39
U.S. Merchandise Trade Balance	Mar '87	—\$ 15.06	—\$ 12.18
Plant and Equipment Expenditures*	2nd Q'87	\$396.22(a)	\$375.92
Private Housing Starts (Thousands of Units)*	Apr '87	1,749	1,945
New Construction Expenditures*	Apr '87n	\$ 384.1	\$ 373.9
Total Business Inventories †	Mar '87	\$ 662.8	\$ 653.9
Total Business Sales †	Mar '87	\$ 443.2	\$ 415.7

*Seasonally adjusted annual rate.

†Seasonally adjusted.

n-Newly reported figure.

r-Revised.

a-Anticipated.

(1) Indicates new series.



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